

NEWS RELEASE

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“OPERATION ROAMING CHARGE” SOUTHERN DISTRICT OF ILLINOIS PROSECUTIONS

Ronald J. Tenpas, United States Attorney for the Southern District of Illinois, announced today three cases brought in the Southern District of Illinois as part of *Operation Roaming Charge*, an extensive multinational enforcement operation directed at telemarketing fraud schemes. The announcement immediately followed the announcement of the initiative by Attorney General John Ashcroft.

The three cases in the Southern District of Illinois were brought between August 17 and September 22, 2004. Together, the perpetrators of these three schemes victimized over 82,000 consumers throughout the United States allegedly causing losses of over \$20 million. Investigators estimate that telemarketers employed by the defendants in these unrelated three cases made over 4 million telephone calls to the U.S. in an attempt to bilk American consumers.

U.S. v. Lloyd Prudenza, et al., Case Number: 04-030111-WDS,

The indictment returned September 22, 2004 charges three Toronto residents, Lloyd Prudenza - 43, David Dalglish - 49, and Leslie Anderson - 52 in a twenty four count indictment charging mail fraud, wire fraud and conspiracy for their alleged role in a pervasive Canadian telemarketing operation which operated principally under the name of “First Capital.” The indictment alleges that First Capital was a Toronto based advance fee credit card scam that bilked tens of thousands of U.S. consumers of over \$7,000,000.

The indictment alleges that between September, 2001 and July, 2002, the scam operated under various business names, including First Capital Consumers Group, U.S. Guardian United Consumers, Trans America United Benefits Group, and First Guardian National Benefits, among others. (Collectively referred to as “First Capital.”) First Capital targeted residents of the United States through unsolicited telephone calls made by telemarketers who told consumers that First Capital issued MasterCard and Visa credit cards to people with less than perfect credit. To receive their credit card, consumers were told that they had to pay a processing fee of between \$189 and \$219. Payment was made through an Automated Clearing House (ACH) debit against the consumers’ bank accounts based upon account information provided by consumers during the telephone call. Defendants were not authorized to issue MasterCard or Visa credit cards. Instead of the credit cards consumers were promised, defendants mailed U.S. consumers a package stuffed

with advertisements in the form of merchandise coupons and promotional literature for various products and services including magazines, cellular telephones, auto loans, legal services, travel, and an application for a stored value card (which is similar to a gift card). Defendants attempted to process approximately 95,000 debits against U.S. bank accounts for an amount exceeding \$19 million. Defendants made an estimated 1.75 million telephone calls to the United States in an attempt to defraud U.S. consumers.

Extradition proceedings were initiated in late 2003 (based upon a Criminal Complaint filed July 10, 2003 - Case No. 03-M-6085-CJP) and are pending in the Province of Ontario.

Each of the twenty four counts is punishable by a term of imprisonment not to exceed five years and a fine not to exceed \$250,000.

The case was investigated by the U.S. Postal Inspection Service with substantial assistance from the Federal Trade Commission in Chicago. The Competition Bureau of Industry Canada conducted a concurrent investigation. The investigation arose as a result of the efforts of the Toronto Strategic Partnership which includes both Canadian and U.S. regulatory and law enforcement agencies.

United States v. Steven Winter, et al. . Case No. 04-M-6048-CJP
(*"Consumer Alliance," "First American," et al.)*
Criminal Complaint filed August 17, 2004

Four defendants, Steven Winter - 34, Brian Kent -39, Carrie Reid -34, and Sean McVicar -30, (all residents of the Toronto, Ontario area) were charged in a twenty two count indictment on August 17, 2004. The complaint alleges that they engaged in a credit card protection and advance fee credit card scheme in Toronto and Barrie, Ontario, that defrauded at least 37,000 individuals in the United States out of approximately \$10 million. The scheme operated between November, 1999 through the summer of 2004. In perpetrating the scheme, the complaint alleges that Defendants operated under a variety of names, including Consumer Alliance, First American, HTC Holdings (HTC representing "Hide The Cash") and BBC Corp (BBC representing "Billionaire Boys Club"). According to the criminal complaint, to conclude 37,000 successful sales, defendants made as many as 1.8 million telephone calls from Canada to the United States in an attempt to defraud U.S. residents.

Defendants employed telemarketers who made unsolicited telephone calls to deceive U.S. residents into believing that they needed defendant's so called credit card protection services that they claimed were necessary to protect consumers against credit card fraud. In fact, under U.S. law, according to the complaint, a consumer cannot be held liable for more than \$50 for any unauthorized charge to a credit card account. For this so called service, which was never in fact provided according to the complaint, U.S. consumers paid fees averaging \$275.00. Later, defendants began an advanced fee credit card scam targeting U.S. consumers with less than perfect credit. Defendants' telemarketers led consumers to believe that they were following up on a credit card application submitted by the consumer and told consumers that they would be provided with a Visa or MasterCard credit card for an advanced fee of between \$149 and \$299. Defendants were not

authorized to issue credit cards and consumers did not get credit cards from defendants. Instead, consumers were provided with a stored value card, an application for a stored value card, an application for a credit card, or nothing at all. Defendants used mail drops in the United States to conceal the fact that the scam operated from Canada.

The defendants are charged in a twenty two count complaint with two counts of conspiracy, five counts of mail fraud, thirteen counts of wire fraud, one count of using a false and fictitious address (arising out of the use of mail drops), and one count of bank fraud. The bank fraud count concerns the failure of the National State Bank of Metropolis in Metropolis, Illinois, which processed credit card transactions for the scam for approximately 16 months. The complaint alleges that the bank sustained a loss of \$1.9 million as a result of defendants' telemarketing scheme, which, together with other telemarketing losses, resulted in the FDIC placing the bank into receivership in December, 2000.

Nine of the twenty two counts are punishable by a term of imprisonment not to exceed five years. The remaining thirteen counts are each punishable by a term of imprisonment not to exceed twenty years. Each count is punishable by a fine not to exceed \$250,000.

The case was investigated by the U.S. Postal Inspection Service with substantial assistance from the Federal Trade Commission in Chicago, and the Office of Inspector General of the Federal Deposit Insurance Corporation. The Barrie Police Service conducted a concurrent investigation. Assistance was also provided by the Ontario Provincial Police. The investigation arose as a result of the efforts of the Toronto Strategic Partnership

United States v. Terrence Croteau, Case No. 04-M-6051-CJP
(Pinnacle Publishing, MDSC Publishing)
Criminal Complaint Filed September 3, 2004

The defendant, Terrence Croteau - 30, from Welland, Ontario, was charged in a 29 count complaint on September 3, 2004. The criminal complaint charges him with conspiracy, twenty counts of mail fraud, four counts of wire fraud, one count of use of a false and fictitious name in furtherance of mail fraud, two counts of mailing or transmitting threatening communications, and one count of making harassing telephone calls.

The criminal complaint alleges that Defendant operated a business directory scam out of Montreal, Quebec and Welland, Ontario between 2000 and the late spring, 2004. Defendant employed telemarketers who telephoned U.S. businesses under the false pretenses that they were from a legitimate business which published business directories, including an on line business directory on the Internet. Defendant's telemarketers used a variety of deceptive tactics to close sales, including duping businesses into thinking that they were renewing or continuing supposedly pre-existing listings, or simply confirming a shipping address. Victims were also sent unsolicited versions of a purported business directory on CD-Rom. Defendant's collection staff followed up with an invoice sent through the mails which, if not paid, resulted in a series of harassing telephone calls to the U.S. threatening to ruin the businesses' credit. Some of these threats were in the form

of a letter from a purported, but non-existent lawyer by the name of “Howard J. Anderson, Esq.” from the ‘Lawyers Co-operative Group.’ The specific amount of losses to U.S. consumers is unknown at this time but is believed to be around three million dollars. Defendant’s telemarketers made an estimated half million telephone calls to the United States in an attempt to defraud U.S. businesses and consumers.

Three of the twenty eight counts are punishable by a term of imprisonment not to exceed three years. Fourteen of the counts are punishable by a term of imprisonment not to exceed five years. Twelve of the counts are punishable by a term of imprisonment not to exceed twenty years. All counts are punishable by a fine not to exceed \$250,000.

The case was investigated by the U.S. Postal Inspection Service with substantial assistance from the Federal Trade Commission in Chicago. The Niagara Regional Police Service in Welland, Ontario and the Ontario Provincial Police, assisted by the Toronto Police Service, conducted a concurrent investigation. The investigation arose as a result of the efforts of the Toronto Strategic Partnership.

Comments on Operation Roaming Charge

In announcing the three prosecutions, United States Attorney Ron Tenpas said:

*“Consumers should be on high alert when answering unsolicited telephone calls from companies with whom they are unfamiliar. Telemarketing frauds are perpetrated by slick individuals. Nothing good comes from staying on the line with one of these scam artists. They are good at what they do because they do it for a living. In many instances, consumers were suspicious and sensed that something wasn’t quite right. Trust those instincts. Don’t worry about being rude. **The thing to remember isn’t “just say no,” it is “just hang up.”***

A word to fraudulent telemarketers out there. The announcement of these prosecutions is really an important lesson in the law of averages. When you make several million phone calls to the United States, you may be making easy money for awhile, but you are living on borrowed time. Enough consumers report you, you end up in the FTC’s database, Consumer Sentinel. Someone does the math, figures out how much you’re cheating the public, and before you know it you are a law enforcement priority. The prosecutions we’ve announced today show that we’re committed to working with the Postal Inspection Service, the FTC, our Canadian colleagues, and the other members of the Toronto Strategic Partnership to eradicate this problem. Continue to do it, and the odds are, you too will be standing trial in the Southern District of Illinois”

An indictment and a criminal complaint represent formal charges against a defendant. Under our law, a defendant is presumed to be innocent of a charge until proven guilty beyond a reasonable doubt.